

GREAT PRAIRIE AREA EDUCATION AGENCY

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

GREAT PRAIRIE AREA EDUCATION AGENCY

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JUNE 30, 2008

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GREAT PRAIRIE AREA EDUCATION AGENCY

OFFICIALS

JUNE 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b><u>Board of Directors</u></b>		
Harold Mick	President	2009
Tom Zimmerman	Vice-President	2010
John Adam	Member	2009
Joy Prothero	Member	2010
John Schnicker	Member	2009
H. Michael Neary	Member	2010
Lonny Morow	Member	2008
Larry Bettis	Member	2008
Marge Wilhelm	Member	2008
<b><u>Agency</u></b>		
Joseph Crozier	Administrator	Annual Contract
Nancy Brown	Board Secretary	Appointed
Dennis Gourley	Business Manager and Treasurer	Appointed

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Great Prairie Area Education Agency

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Agency officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated December 5, 2008 on our consideration of Great Prairie Area Education Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 13 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Great Prairie Education Agency's basic financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
December 5, 2008

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# Management's Discussion and Analysis

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This section of the Great Prairie Area Education Agency's annual financial report presents its discussion and analysis of the Agency's financial performance during the fiscal year ended June 30, 2008. The analysis focuses on the Agency's financial performance as a whole

Please read it in conjunction with the Agency's financial statements, which immediately follow this section

Effective July 1, 2007, Southern Prairie Area Education Agency 15 and Great River Area Education Agency 16 voluntarily reorganized calling the newly merged agency Great Prairie Area Education Agency. Because Great Prairie Area Education Agency is a new merged entity, information is not easily comparable to prior years. Comparisons will be more meaningful and will go further in explaining the Agency's financial position and results of operations in future years

## Financial Highlights

- General Fund revenues and other financing sources increased from a combined total for both previous agencies of \$24,547,874 in fiscal 2007 to \$25,678,634 in fiscal 2008 while General fund expenditures and other financing uses increased from a combined total for both previous agencies of \$24,305,707 in fiscal 2007 to \$25,045,747 in fiscal 2008. This resulted in an increase in the Agency's General Fund balance from a combined total for both previous agencies of \$3,090,774 in fiscal 2007 to \$3,723,661 in fiscal 2008, a 20.5 percent increase from the beginning of the fiscal year. The increase in fund balance was due primarily to the sale of a property that had been donated to Southern Prairie AEA 15 and due to some vacant staff positions not being filled.
- The increase in General Fund revenues was primarily attributable to an increase in state aid received in fiscal year 2008, the sale of a property that had been donated to Southern Prairie AEA 15 and due to the inclusion of Area Education Agency staff in the Iowa Teacher Salary Improvement Program. The increase in expenditures was due primarily to the flowthrough of the Teacher Salary Improvement Program proceeds to the Area Education Agency staff and due to the payoff of the early retirement liability.

## Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Agency:

- The first two statements are *Agency-wide financial statements* that provide both short-term and long-term information about the Agency's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Agency, reporting the Agency's operations in more detail than the Agency-wide statements.
- The *governmental funds statements* explain how basic services such as educational services, special education support and media services were financed in the short term as well as what remains for future spending.
- *Proprietary funds statements* offer short-term and long-term financial information about the activities the Agency operates like businesses. The Agency operates a Cooperative Purchasing Fund for the local school districts.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Agency's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

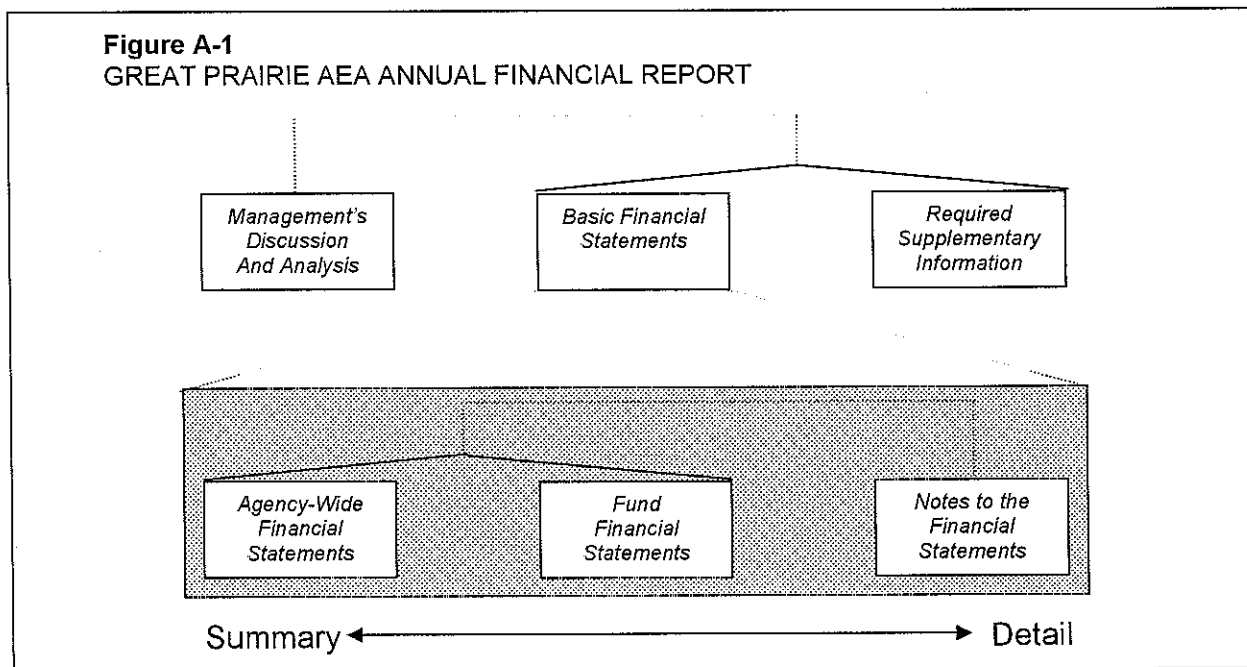


Figure A-2 summarizes the major features of the Agency's financial statements, including the portion of the Agency's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>MAJOR FEATURES OF THE AGENCY-WIDE AND FUND FINANCIAL STATEMENTS</b>				
	Agency-Wide Statements	Fund Financial Statements		
		Governmental Funds	Propriety Funds	Fiduciary Funds
Scope	Entire Agency (except fiduciary funds)	The activities of the Agency that are not proprietary or fiduciary, such as special education and building maintenance	Activities the Agency operates similar to private businesses: cooperative purchasing.	Instances in which the Agency administers resources on behalf of someone else. The Agency currently has no fiduciary funds.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow / outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## Agency-Wide Statements

The Agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Agency-wide statements report the Agency's *net assets* and how they have changed. Net assets – the difference between the Agency's assets and liabilities – are one way to measure the Agency's financial health or *position*.

- Over time, increases or decreases in the Agency's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, you need to consider additional non-financial factors such as changes in enrollments in the local school districts that the Agency serves and the condition of the Agency's office buildings.

In the Agency-wide financial statements, the Agency's activities are divided into two categories:

- *Governmental activities*: Most of the Agency's basic services are included here, such as instructional services, media services, special education support, and administration. Property taxes, state aid and federal program grants finance most of these activities.
- *Business-type activities*: The Agency charges fees to help cover the costs of certain services it provides. The Agency's cooperative purchasing program would be included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The Agency establishes other funds to control and manage money for particular purposes, such as accounting for the Special Education Instruction and Juvenile Home funds.

The Agency has two kinds of funds:

- *Governmental funds*: Most of the Agency's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the Agency-wide statements, additional information presented immediately after the governmental funds statements explains the relationship or differences between the two statements.



The Agency's governmental funds include the General Fund, Special Education Instruction Fund, Juvenile Home Education Fund and the Debt Service Fund.

- *Proprietary funds:* Services for which the Agency charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Agency-wide statements.

The Agency's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information such as cash flows. The Agency currently has one enterprise fund, the cooperative purchasing fund.

### Financial Analysis of the Agency as a Whole

**Net assets.** The Agency's combined net assets increased \$59,700 during fiscal year 2008 or less than 1% increase.

Figure A-3

SUMMARY OF NET ASSETS (in thousands of dollars)			
	Governmental Activities 2008	Business-Type Activities 2008	Total 2008
Total Assets	\$ 13,472.6	\$ 47.8	\$ 13,520.4
Total Liabilities	7,144.9	.3	7,145.2
Net Assets			
Invested in Capital Assets			
Net of Related Debt	2,536.7	-	2,536.7
Restricted for			
Encumbrances	54.4	-	54.4
Inventories	74.6	-	74.6
Restricted for Other	173.9	-	173.9
Unrestricted	3,488.1	-	3,535.6
Total Net Assets	\$ 6,327.7	\$ 47.5	\$ 6,375.2

Figure A-4

SUMMARY IN NET ASSETS FROM OPERATING RESULTS (in thousands of dollars)			
	Governmental Activities 2008	Business-Type Activities 2008	Total 2008
Program Revenues:			
Charges for services	\$ 1,339.2	\$ 72.8	\$ 1,412.0
Operating Grants and Contributions	11,265.0	-	11,265.0
General Revenues			
Property taxes	5,755.5	-	5,755.5
State aid	7,542.0	-	7,542.0
Unrestricted investment earnings	121.3	-	121.3
Total revenues	26,023.0	72.8	26,095.8
Expenditures:			
Current:			
Instruction	1,979.2	-	1,979.2
Student support services	18,751.0	-	18,751.0
Media services	1,304.3	-	1,304.3
General administration	1,080.4	-	1,080.4
Educational services	1,535.6	-	1,535.6
Plant operations and maintenance	304.3	-	304.3
Central and other support services	332.7	-	332.7
Interest on long-term debt	125.4	-	125.4
Fees	22.5	-	22.5
Cooperative purchasing	-	72.8	72.8
Total expenditures	25,435.4	72.8	25,508.2
Excess before special item	587.6	-	587.6
Special item:			
Loss on disposal of assets	(527.9)	-	(527.9)
Increase in net assets	\$ 59.7	\$ -	\$ 59.7

Figure A-5

### Revenues Fiscal Year 2008

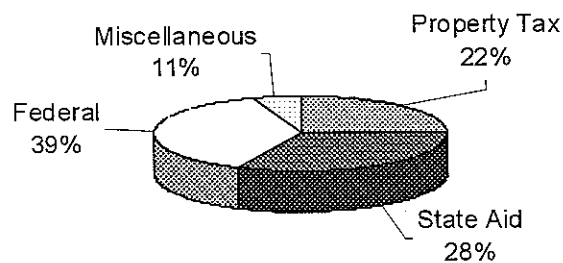
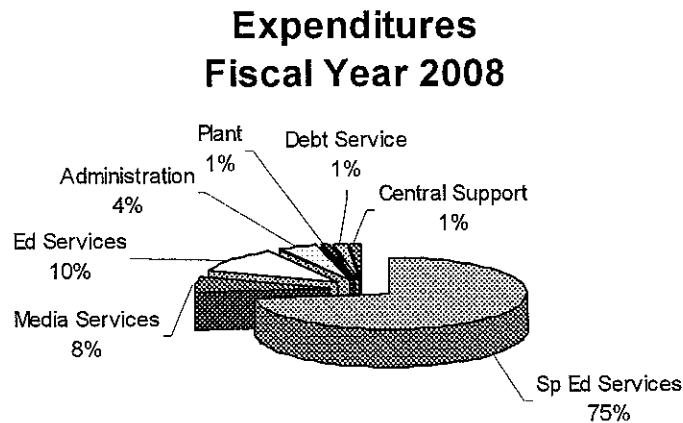


Figure A-6



### Governmental Activities

Revenues for the Agency's governmental activities increased 5.8 percent, and total expenses increased 4.8 percent compared to a combined total for both previous agencies for the prior year. The increase in expenditures was due primarily to the flowthrough of the Iowa Teacher Salary Improvement proceeds to the Area Education Agency staff and due to the payoff of the early retirement liability.

Revenues for governmental activities were \$26,408,035 while expenses amounted to \$26,040,805.

The following table presents the total and net cost of the Agency's major governmental activities: instruction, student support services, media services, general administration, educational services, plant operations and maintenance, central and other support services and other expenses.

Figure A-7

<b>NET COST OF GOVERNMENTAL ACTIVITIES</b> (in thousands of dollars)		
	Total Cost of Services 2008	Net Cost of Services 2008
Instruction	\$ 1,979.2	\$ 181.4
Student support services	18,751.0	(1,221.6)
Media services	1,304.3	(573.7)
General administration	1,080.4	1,080.4
Educational services	1,535.6	(717.8)
Plant operations and maintenance	304.3	304.3
Central and other support services	332.7	332.7
Interest on long-term debt	125.4	125.4
Fees	22.5	22.5
<b>Total</b>	<b>\$ 25,435.4</b>	<b>\$ (466.4)</b>

- The cost of all governmental activities this year was \$25,435,362.

- The portion of the cost financed by users of the Agency's programs was \$1,339,217
- The federal and state government subsidized certain programs with grants and contributions totaling \$11,265,012.
- The net cost portion of governmental activities was financed with \$5,755,516 in flowthrough property tax, \$7,541,951 in state foundation aid and \$121,339 in interest income

### **Business-Type Activities**

Revenues and expenditures of the Agency's business-type activities (the Cooperative Purchasing Fund) decreased from \$93,993 to \$72,803, a decrease of 22.5 percent

## **Financial Analysis of the Agency's Funds**

As previously noted, Great Prairie AEA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements

The financial performance of the Agency as a whole is reflected in its governmental funds as well. As the Agency completed the year, its governmental funds reported combined fund balances of \$3,792,308 which was an increase from the beginning of the year's fund balances of \$3,425,078. The primary reason for the increase in combined fund balances in fiscal 2008 was due to the sale of a property that had been donated to Southern Prairie AEA 15 and due to the restructuring of the terms of the bonded indebtedness for the Burlington office

### **Governmental Fund Highlights**

- The Agency's General Fund financial position increased due to the sale of a property that had been donated to Southern Prairie AEA 15 and due to some vacant staff positions not being filled
- The General Fund balance increased from \$3,090,774 to \$3,723,661 due to the sale of a property that had been donated to Southern Prairie AEA 15 and due to some vacant staff positions not being filled

## **Proprietary Fund Highlights**

The Co-op Fund net assets remained constant at \$47,500 from fiscal 2007 to fiscal 2008. As previously noted, the Agency operates a cooperative purchasing fund for the benefit of the school districts served by the Agency.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Directors annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year. The Agency's budget is prepared on the accrued basis. Over the course of the year, the Agency amended its annual budget one time to reflect adjustments to funding sources and reclassifications among expenditures. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the required supplementary information section of this report.

### **General Fund Budgetary Highlights**

- The Agency's General Fund budget did not vary significantly from actual results. The financial statements include a comparison of budget and actual for the governmental and proprietary fund types. Except for proprietary transactions, variances between budget and actual were \$59,971 or less than 0.3% of expenditures.

## **Capital Asset and Debt Administration**

### **Capital Assets**

By the end of fiscal 2008, the Agency had invested \$5.03 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, materials lending library, computers and audio-visual equipment (See Figure A-8). More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$888,641. Total accumulated depreciation was \$8,877,049 at June 30, 2008.

Excluding depreciation, the Agency has \$13.90 million in capital assets. Governmental funds account for the entire \$13.90 million.

**Figure A-8**

CAPITAL ASSETS (net of depreciation, in thousands of dollars)			
	Governmental Activities		Total Percentage Change
	<u>2007</u>	<u>2008</u>	<u>2007-2008</u>
Land	\$ 409.3	\$ 334.3	-18.3%
Buildings	3,841.4	2,079.5	-45.9%
Improvements other than buildings	457.4	979.7	114.2%
Furniture and equipment	1,203.2	1,069.1	-11.1%
Library books and films	<u>727.3</u>	<u>562.0</u>	<u>-22.7%</u>
Total capital assets, net of depreciation	<u>\$ 6,638.6</u>	<u>\$ 5,024.6</u>	<u>-24.3%</u>

### Long-Term Liabilities

At year-end, the Agency had \$2,672,281 in long-term liabilities outstanding. This represents a decrease of 27.6 percent from the beginning of the year (See Figure A-9). The decrease was primarily due to a reduction in the bonded indebtedness for the Burlington office when the Burlington office indebtedness was refinanced and due to the Agency paying off most of its early retirement benefits liability. More detailed information about the Agency's long-term liabilities is available in Notes 4, 8 and 9 to the financial statements.

In May 2008, the Agency refinanced its certificates of participation indebtedness for the Burlington Office at an interest rate of 4.08% and reduced the amount of indebtedness by restructuring the terms of the bonded indebtedness. As of June 30, 2008, the Agency had total outstanding certificates of participation indebtedness of \$2,488,000.

**Figure A-9**

OUTSTANDING LONG-TERM LIABILITIES (in thousands of dollars)			
	Total Agency		Total Percentage Change
	<u>2007</u>	<u>2008</u>	<u>2007-2008</u>
Certificates of participation	\$ 2,948.0	\$ 2,488.0	-15.6%
Compensated absences	158.4	170.5	7.6%
Early retirement benefits	<u>304.7</u>	<u>13.8</u>	<u>-95.5%</u>
Total	<u>\$ 3,411.1</u>	<u>\$ 2,672.3</u>	<u>-21.7%</u>

## **Factors Bearing on the Agency's Future**

At the time these financial statements were prepared and audited, the Agency was aware of several circumstances that could significantly affect its financial health in the future:

- The state legislature continued the reduction in state aid to all of the state's area education by \$2.5 million for Fiscal Year 2009. Great Prairie Area Education Agency's portion of this amount is \$202,745. This reduction is \$2.75 million less than the Fiscal Year 2008 statewide reduction of \$5.25 million, resulting in a restoration of \$223,020 of state aid to Great Prairie Area Education Agency.
- The Agency's student enrollment projections continue to reflect a decline. State aid funding and flowthrough property tax funding for the Agency is tied to enrollment.

## **Contacting the Agency's Financial Management**

This financial report is designed to provide the Agency's citizens, taxpayers, customers, and investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Gourley, Business Manager, Great Prairie Area Education Agency, 2814 North Court Street, Ottumwa, Iowa 52501-1163.

GREAT PRAIRIE AREA EDUCATION AGENCYSTATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and pooled investments	\$ 5,761,477	\$ 32,910	\$ 5,794,387
Receivables:			
Interest	4,201	-	4,201
Accounts	648,916	-	648,916
Due from other governments	1,958,731	14,902	1,973,633
Inventories	74,637	-	74,637
Capital assets - Net of accumulated depreciation	<u>5,024,664</u>	<u>-</u>	<u>5,024,664</u>
<b>TOTAL ASSETS</b>	<u>13,472,626</u>	<u>47,812</u>	<u>13,520,438</u>
<u>LIABILITIES</u>			
Accounts payable	1,528,765	280	1,529,045
Salaries and benefits payable	2,767,274	-	2,767,274
Deferred revenue:			
Federal grants	176,580	-	176,580
Long-term liabilities:			
Portion due or payable within one year:			
Certificates of participation	275,000	-	275,000
Early retirement benefits	12,571	-	12,571
Compensated absences	170,464	-	170,464
Portion due or payable after one year:			
Certificates of participation	2,213,000	-	2,213,000
Early retirement benefits	<u>1,246</u>	<u>-</u>	<u>1,246</u>
<b>TOTAL LIABILITIES</b>	<u>7,144,900</u>	<u>280</u>	<u>7,145,180</u>
<u>NET ASSETS</u>			
Invested in capital assets - Net of related debt	2,536,664	-	2,536,664
Restricted for:			
Encumbrances	54,389	-	54,389
Unrestricted	<u>3,736,673</u>	<u>47,532</u>	<u>3,784,205</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 6,327,726</u>	<u>\$ 47,532</u>	<u>\$ 6,375,258</u>



GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, and Contributions</u>
<u>FUNCTIONS/PROGRAMS:</u>			
Governmental activities:			
Instruction	\$ 1,979,154	\$ 1,339,217	\$ 458,550
Student support services	18,751,027	2,089,487	17,883,189
Media services	1,304,268	1,747,847	130,081
General administration	1,080,436	-	-
Educational services	1,535,561	1,918,182	335,143
Plant operations and maintenance	304,324	-	-
Central and other support services	332,708	-	-
Interest on long-term debt	125,347	-	-
Fees	<u>22,537</u>	<u>-</u>	<u>-</u>
Total governmental activities	25,435,362	7,094,733	18,806,963
Business type activities:			
Non-instructional programs:			
Cooperative purchasing	<u>72,803</u>	<u>72,788</u>	<u>-</u>
Total	\$ <u>25,508,165</u>	\$ <u>7,167,521</u>	\$ <u>18,806,963</u>

GENERAL REVENUES:

Unrestricted investment earnings  
Loss on disposal of capital assets

Change in net assets

Net assets beginning of year, as restated

Net assets end of year



Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (181,387)	\$ -	\$ (181,387)
1,221,649	-	1,221,649
573,660	-	573,660
(1,080,436)	-	(1,080,436)
717,764	-	717,764
(304,324)	-	(304,324)
(332,708)	-	(332,708)
(125,347)	-	(125,347)
(22,537)	-	(22,537)
466,334	-	466,334
-	(15)	(15)
466,334	(15)	466,319
121,339	-	121,339
(527,928)	-	(527,928)
59,745	(15)	59,730
6,267,981	47,547	6,315,528
\$ 6,327,726	\$ 47,532	\$ 6,375,258

GREAT PRAIRIE AREA EDUCATION AGENCY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and pooled investments	\$ 5,737,011	\$ 124,369	\$ 5,861,380
Receivables:			
Interest	4,201	-	4,201
Accounts	430,452	218,464	648,916
Due from other governments	1,958,731	-	1,958,731
Inventories	<u>74,637</u>	<u>-</u>	<u>74,637</u>
 TOTAL ASSETS	 \$ <u>8,205,032</u>	 \$ <u>342,833</u>	 \$ <u>8,547,865</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 1,525,672	\$ 3,093	\$ 1,528,765
Cash overdraft	-	99,903	99,903
Salaries and benefits payable	2,643,339	123,935	2,767,274
Early retirement benefits	6,754	5,817	12,571
Compensated absences	170,464	-	170,464
Deferred revenue:			
Federal grants	<u>135,142</u>	<u>41,438</u>	<u>176,580</u>
Total liabilities	<u>4,481,371</u>	<u>274,186</u>	<u>4,755,557</u>
 Fund balances:			
Reserved for:			
Encumbrances	54,389	-	54,389
Inventories	74,637	-	74,637
Designated for:			
Carpet	120,750	-	120,750
Centerville office	375,000	-	375,000
Media resources	87,839	-	87,839
Categorical funding	86,110	-	86,110
Burlington roof	98,000	-	98,000
Alley replacement	90,000	-	90,000
Rooftop units	126,000	-	126,000
Undesignated	<u>2,610,936</u>	<u>68,647</u>	<u>2,679,583</u>
Total fund balances	<u>3,723,661</u>	<u>68,647</u>	<u>3,792,308</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>8,205,032</u>	 \$ <u>342,833</u>	 \$ <u>8,547,865</u>

GREAT PRAIRIE AREA EDUCATION AGENCYRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008TOTAL GOVERNMENTAL FUND BALANCES

\$ 3,792,308

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$13,901,713 and the accumulated depreciation is \$8,877,049.

5,024,664

Long-term liabilities, including certificates of participation and early retirement benefits are not due and payable in the current period and, therefore, are not reported in the funds

(2,489,246)NET ASSETS OF GOVERNMENTAL ACTIVITIES\$ 6,327,726

GREAT PRAIRIE AREA EDUCATION AGENCY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:			
Local sources	\$ 6,908,107	\$ 306,951	\$ 7,215,058
State sources	8,389,566	458,551	8,848,117
Federal sources	9,959,860	-	9,959,860
Total revenues	<u>25,257,533</u>	<u>765,502</u>	<u>26,023,035</u>
Expenditures:			
Current:			
Instruction	-	714,252	714,252
Student support services	18,738,308	-	18,738,308
Media services	1,839,742	-	1,839,742
General administration	1,077,202	-	1,077,202
Educational services	2,356,146	-	2,356,146
Plant operations and maintenance	339,082	-	339,082
Central and other support services	368,189	-	368,189
Debt service	-	607,884	607,884
Total expenditures	<u>24,718,669</u>	<u>1,322,136</u>	<u>26,040,805</u>
Excess (deficiency) of revenues over (under) expenditures	<u>538,864</u>	<u>(556,634)</u>	<u>(17,770)</u>
Other financing sources (uses):			
Proceeds from sale of assets	385,000	-	385,000
Transfers in	36,101	551,169	587,270
Transfers out	<u>(327,078)</u>	<u>(260,192)</u>	<u>(587,270)</u>
Total other financing sources (uses)	<u>94,023</u>	<u>290,977</u>	<u>385,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	632,887	(265,657)	367,230
Fund balances beginning of year	<u>3,090,774</u>	<u>334,304</u>	<u>3,425,078</u>
Fund balances end of year	\$ <u>3,723,661</u>	\$ <u>68,647</u>	\$ <u>3,792,308</u>

## GREAT PRAIRIE AREA EDUCATION AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 367,230

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expenses to allocate those expenditures over the estimated useful lives of the assets. Governmental funds report the selling price of capital assets disposed while governmental activities report gains and losses on the disposal of capital assets. Depreciation expense and loss on disposal of capital assets exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 753,291	
Depreciation expense	(888,641)	
Loss on disposal of capital assets	<u>(912,928)</u>	(1,048,278)

Repayment of long-term liabilities is an expenditure in the governmental funds, reduces long-term liabilities in the Statement of Net Assets but is not reported in the Statement of Activities	460,000
---	---------

Compensated absences expense reported in the statement of activities does not require the use of current financial resources, and, therefore, is not reported as an expenditure in the governmental funds.	74,624
--	--------

Early retirement benefits expense reported in the Statement of Activities is not reported as an expenditure in the governmental funds.	<u>206,169</u>
--	----------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 59,745

GREAT PRAIRIE AREA EDUCATION AGENCYSTATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008Cooperative  
PurchasingASSETS:

## Current assets:

Cash and cash equivalents

\$ 32,910

Due from other governments

14,902

Total assets

47,812

LIABILITIES:

## Current liabilities:

Accounts payable

280NET ASSETS:

Unrestricted

\$ 47,532

## GREAT PRAIRIE AREA EDUCATION AGENCY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

## PROPRIETARY FUND

YEAR ENDED JUNE 30, 2008

Cooperative  
PurchasingOperating revenues:

Charges for service

\$ 72,788

Operating expenses:

Non-instructional programs:

Purchased services

1,636

Supplies and materials

71,167

Total operating expenses

72,803

CHANGE IN NET ASSETS

(15)

Net assets beginning of year

47,547

Net assets end of year

\$ 47,532



GREAT PRAIRIE AREA EDUCATION AGENCYSTATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008Cooperative  
Purchasing

## Cash flows from operating activities:

Cash received from customers

\$ 67,047

Cash paid to suppliers

(80,491)

Net cash used in operating activities

(13,444)

Cash and cash equivalents beginning of year

46,354

Cash and cash equivalents end of year

\$ 32,910

## Reconciliation of operating loss to net cash used in operating activities:

Operating loss

\$ (15)

Adjustments to reconcile operating loss to net  
cash used in operating activities:

Increase in due from other governments

(5,741)

Decrease in accounts payable

(7,688)

Net cash used in operating activities

\$ (13,444)

## GREAT PRAIRIE AREA EDUCATION AGENCY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Great Prairie Area Education Agency is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 43 school districts and private schools in a fourteen-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### Reporting Entity

For financial reporting purposes, Great Prairie Area Education Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. Great Prairie Area Education Agency has no component units which meet the Governmental Accounting Standards Board criteria.

##### Basis of Presentation

Government-wide financial statements – The Statement of Net Assets and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

## GREAT PRAIRIE AREA EDUCATION AGENCY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Agency reports the following major governmental funds:

The General Fund is the general operating fund of the Agency. All general revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

##### Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the Agency applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency's Enterprise Fund is charges to customers for services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents – Cash includes amounts in demand deposit accounts and money market funds. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

All short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories – Inventories are stated at cost using the first-in, first-out method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of one year

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 300
Buildings	300
Improvements other than buildings	300
Furniture and equipment	300
Library books and films	300

Capital assets of the Agency are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Furniture and equipment	5
Library books and films	5

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August have been accrued as liabilities.

## GREAT PRAIRIE AREA EDUCATION AGENCY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue – Deferred revenue represents an excess of cash advances by the funding source over accrued expenditures at year end.

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Assets representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### NOTE 2: CASH AND POOLED INVESTMENTS

The Agency's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The Agency had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$5,081 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

Credit risk - The investment in the Iowa Schools Joint Investment Trust is rated Aaa by Moody's Investors Service

# GREAT PRAIRIE AREA EDUCATION AGENCY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year, <u>as restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>409,332</u>	\$ <u>-</u>	\$ <u>75,000</u>	\$ <u>334,332</u>
Capital assets being depreciated:				
Buildings	3,479,597	-	750,000	2,729,597
Improvements other than buildings	2,136,418	26,416	30,000	2,132,834
Furniture and equipment	5,399,461	397,310	241,794	5,554,977
Library books and films	<u>2,947,653</u>	<u>329,565</u>	<u>127,245</u>	<u>3,149,973</u>
Total capital assets being depreciated	<u>13,963,129</u>	<u>753,291</u>	<u>1,149,039</u>	<u>13,567,381</u>
Less accumulated depreciation for:				
Buildings	625,480	54,592	30,000	650,072
Improvements other than buildings	1,049,466	106,642	3,000	1,153,108
Furniture and equipment	4,196,082	440,644	150,866	4,485,860
Library books and films	<u>2,428,491</u>	<u>286,763</u>	<u>127,245</u>	<u>2,588,009</u>
Total accumulated depreciation	<u>8,299,519</u>	<u>888,641</u>	<u>311,111</u>	<u>8,877,049</u>
Total capital assets being depreciated, net	<u>5,663,610</u>	<u>(135,350)</u>	<u>837,928</u>	<u>4,690,332</u>
Governmental activities capital assets, net	\$ <u>6,072,942</u>	\$ <u>(135,350)</u>	\$ <u>912,928</u>	\$ <u>5,024,664</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Student support services	\$ 458,851
Media services and instruction	331,851
General administration	26,400
Educational services	57,240
Plant operations and maintenance	8,310
Central and other support services	<u>5,989</u>
Total depreciation expense - Governmental activities	\$ <u>888,641</u>

Buildings within governmental activities includes \$2,333,400 acquired under capital leases.

# GREAT PRAIRIE AREA EDUCATION AGENCY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4: CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Certificates of participation	\$ 2,948,000	\$ -	\$ 460,000	\$ 2,488,000	\$ 275,000
Compensated absences	158,420	170,464	158,420	170,464	170,464
Early retirement benefits	304,722	-	290,905	13,817	12,571
Total	\$ <u>3,411,142</u>	\$ <u>170,464</u>	\$ <u>909,325</u>	\$ <u>2,672,281</u>	\$ <u>458,035</u>

#### Certificates of Participation

The Agency has sold certificates of participation for land and facilities for a total of \$5,000,000. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of 20 years with interest rates ranging from 3.51% to 4.08%. The following is a schedule by year of the future minimum payments required:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 275,000	\$ 93,071	\$ 368,071
2010	295,000	84,622	379,622
2011	310,000	73,440	383,440
2012	330,000	61,701	391,701
2013	345,000	51,135	396,135
Thereafter	<u>933,000</u>	<u>115,705</u>	<u>1,048,705</u>
Total	\$ <u>2,488,000</u>	\$ <u>479,674</u>	\$ <u>2,967,674</u>

Payments on the certificates of participation for the year ended June 30, 2008, including interest, totaled \$585,347.

### NOTE 5: PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the Agency is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the year ended June 30, 2008 was \$831,406, equal to the required contributions for the year.

### NOTE 6: RISK MANAGEMENT

Great Prairie Area Education Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year.

## GREAT PRAIRIE AREA EDUCATION AGENCY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 7: MAJOR REVENUE SOURCE

The Agency receives the majority of its funding from grants with the State of Iowa and the Federal Government. The majority of the Agency's funding is accomplished through a reimbursement system. The Agency incurs expense, pays for the expense, submits a reimbursement voucher to the appropriate agency and is reimbursed for the expense.

#### NOTE 8: OPERATING LEASES

The Agency has leased various facilities within the area to house the different divisions of the Agency. These leases have been classified as operating leases and, accordingly, all rents are charged to expenditures as incurred. The leases expire between September 14, 2008 and June 30, 2010. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The Agency has leased various pieces of office equipment. The lease has been classified as an operating lease and, accordingly, all rents are charged to expenditures as incurred. The lease expires September 30, 2009.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2008.

<u>Year Ending June 30,</u>	<u>Space Rental</u>	<u>Office Equipment</u>	<u>Total</u>
2009	\$ 88,677	\$ 26,364	\$ 115,041
2010	39,879	6,591	46,470
	\$ <u>128,556</u>	\$ <u>32,955</u>	\$ <u>161,511</u>

The total rental expenditures for the year ended June 30, 2008, for all operating leases were \$136,027.

#### NOTE 9: EARLY RETIREMENT BENEFITS

The Agency offers early retirement benefits to eligible employees. Employees who take early retirement are eligible for up to five years health insurance coverage with the premiums paid by the Agency. Currently, there are 17 employees who are participating. Individuals who take early retirement are paid a percentage of their final year's salary (dependent upon their age when they retire). Salary and insurance expenses are expensed in the year that the employee elects early retirement. During the year ended June 30, 2008, there was no expense for future health insurance benefits.

#### NOTE 10: LITIGATION

The Agency is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Agency's results of operations.

#### NOTE 11: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2007 have been reclassified to conform to June 30, 2008 presentation.

#### NOTE 12: REORGANIZATION

On July 1, 2007, Southern Prairie Area Education Agency 15 and Great River Area Education Agency 16 voluntarily reorganized calling the newly merged agency Great Prairie Area Education Agency.



GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 13: PRIOR PERIOD ADJUSTMENT

As a result of the merger between Southern Prairie Area Education Agency 15 and Great River Area Education Agency 16, certain changes were made related to the new Agency's capital asset policies and procedures.

Government-wide net assets as previously reported  
June 30, 2007:

Governmental activities:

Southern Prairie Area Education Agency 15	\$ 4,261,445	
Great River Area Education Agency 16	<u>2,587,989</u>	
		\$ 6,849,434

Adjustments:

Increase in cost of capital assets	818,272
Increase in accumulated depreciation of capital assets	<u>(1,399,725)</u>

Government-wide net assets as restated June 30, 2007	\$ <u>6,267,981</u>
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REQUIRED SUPPLEMENTARY INFORMATION

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	Total <u>Actual</u>
Revenues:			
Local sources	\$ 7,215,058	\$ 72,788	\$ 7,287,846
State sources	8,848,117	-	8,848,117
Federal sources	9,959,860	-	9,959,860
Total revenues	<u>26,023,035</u>	<u>72,788</u>	<u>26,095,823</u>
Expenditures/Expenses:			
Current:			
Instruction	714,252	-	714,252
Student support services	18,738,308	-	18,738,308
Media services	1,839,742	-	1,839,742
General administration	1,077,202	-	1,077,202
Educational services	2,356,146	-	2,356,146
Plant operations and maintenance	339,082	-	339,082
Central and other support services	368,189	-	368,189
Non instructional programs	-	72,803	72,803
Facilities acquisition and construction	-	-	-
Debt service	607,884	-	607,884
Total expenditures/expenses	<u>26,040,805</u>	<u>72,803</u>	<u>26,113,608</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(17,770)	(15)	(17,785)
Other financing sources (uses)	<u>385,000</u>	<u>-</u>	<u>385,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	367,230	(15)	367,215
Balance beginning of year	<u>3,425,078</u>	<u>47,547</u>	<u>3,472,625</u>
Balance end of year	\$ <u>3,792,308</u>	\$ <u>47,532</u>	\$ <u>3,839,840</u>

Budget		Final to
<u>Original</u>	<u>Final</u>	Actual Variance
\$ 7,605,817	\$ 7,624,383	\$ (336,537)
7,591,063	8,576,698	271,419
9,801,353	10,012,417	(52,557)
<u>24,998,233</u>	<u>26,213,498</u>	<u>(117,675)</u>
725,799	846,331	132,079
17,420,499	18,300,279	(438,029)
1,890,796	2,111,232	271,490
1,088,950	1,100,715	23,513
2,425,047	2,231,956	(124,190)
307,109	490,603	151,521
417,871	373,639	5,450
500,000	547,547	474,744
-	385,000	385,000
378,696	378,696	(229,188)
<u>25,154,767</u>	<u>26,765,998</u>	<u>652,390</u>
(156,534)	(552,500)	534,715
<u>-</u>	<u>385,000</u>	<u>-</u>
(156,534)	(167,500)	534,715
<u>3,324,387</u>	<u>3,472,625</u>	<u>-</u>
\$ <u>3,167,853</u>	\$ <u>3,305,125</u>	\$ <u>534,715</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents function expenditures/expenses by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

OTHER SUPPLEMENTARY INFORMATION

## GREAT PRAIRIE AREA EDUCATION AGENCY

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Special Revenue			
	Special Education Instruction	Juvenile Home Education	Debt Service	Total
<u>ASSETS</u>				
Cash and pooled investments	\$ -	\$ 124,110	\$ 259	\$ 124,369
Accounts receivable	<u>218,464</u>	<u>-</u>	<u>-</u>	<u>218,464</u>
TOTAL ASSETS	\$ <u>218,464</u>	\$ <u>124,110</u>	\$ <u>259</u>	\$ <u>342,833</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 106	\$ 2,987	\$ -	\$ 3,093
Cash overdraft	99,903	-	-	99,903
Salaries and benefits payable	50,067	73,868	-	123,935
Early retirement benefits	-	5,817	-	5,817
Deferred revenue:				
Federal grants	<u>-</u>	<u>41,438</u>	<u>-</u>	<u>41,438</u>
Total liabilities	150,076	124,110	-	274,186
Fund balances:				
Unreserved fund balance	<u>68,388</u>	<u>-</u>	<u>259</u>	<u>68,647</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>218,464</u>	\$ <u>124,110</u>	\$ <u>259</u>	\$ <u>342,833</u>

## GREAT PRAIRIE AREA EDUCATION AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	Special Revenue				
	Special Education Instruction	Juvenile Home Education	Debt Service	Capital Projects	Total
Revenues:					
Local sources	\$ 291,760	\$ -	\$ 15,191	\$ -	\$ 306,951
State sources	16,727	441,824	-	-	458,551
Total revenues	<u>308,487</u>	<u>441,824</u>	<u>15,191</u>	<u>-</u>	<u>765,502</u>
Expenditures:					
Current:					
Instruction	292,998	421,254	-	-	714,252
Debt service	-	-	607,884	-	607,884
Total expenditures	<u>292,998</u>	<u>421,254</u>	<u>607,884</u>	<u>-</u>	<u>1,322,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,489</u>	<u>20,570</u>	<u>(592,693)</u>	<u>-</u>	<u>(556,634)</u>
Other financing sources (uses):					
Transfers in	-	-	551,169	-	551,169
Transfers out	(15,531)	(20,570)	-	(224,091)	(260,192)
Total other financing sources (uses)	<u>(15,531)</u>	<u>(20,570)</u>	<u>551,169</u>	<u>(224,091)</u>	<u>290,977</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(42)	-	(41,524)	(224,091)	(265,657)
Fund balances beginning of year	<u>68,430</u>	<u>-</u>	<u>41,783</u>	<u>224,091</u>	<u>334,304</u>
Fund balances end of year	\$ <u>68,388</u>	\$ <u>-</u>	\$ <u>259</u>	\$ <u>-</u>	\$ <u>68,647</u>



GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST YEAR

	<u>Modified Accrual Basis</u> <u>Year Ended June 30,</u> <u>2008</u>
Revenues:	
Local sources	\$ 7,215,058
State sources	8,848,117
Federal sources	<u>9,959,860</u>
Total	\$ <u>26,023,035</u>
Expenditures:	
Current:	
Instruction	\$ 714,252
Student support services	18,738,308
Media services	1,839,742
General administration	1,077,202
Educational services	2,356,146
Plant operations and maintenance	339,082
Central and other support services	368,189
Debt service	<u>607,884</u>
Total	\$ <u>26,040,805</u>

SCHEDULE 4GREAT PRAIRIE AREA EDUCATION AGENCYSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

<u>Project Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
<u>Indirect:</u>			
U.S. Department of Education:			
Iowa Department of Education:			
Handicapped Preschool Program	84 027	070815	\$ 6,650,641
Handicapped Preschool Program (Lea Flowthrough)	84 027	8KB2-15	2,117,434
Parent Education	84 027	77415	155,065
Second Opinion	84 027	6K71-15	11,882
Transition Grant	84 027	SPDG-15	35,286
IPAT	84 027	41607	7,419
Para Educator Project	84 027	7K76-15	17,118
SIG IQPPS Expansion	84 027	15-QPPS:TA2008	5,401
Instructional Decision Making	84 027	6K79-15	65,590
ECR Expansion	84 027	ECR-7KE4-15	5,652
			<u>9,071,488</u>
Section 619 Ages 3-5	84 173	07619-15	<u>303,225</u>
			<u>9,374,713</u>
Part C Infants and Toddlers	84 181	C07-15	306,888
Part C Infants and Toddlers (Regional Coordinator)	84 181	C07-15	747
			<u>307,635</u>
Eisenhower Math/Science Block Grant	84 281A	--	<u>1,899</u>
E2T2	84 318	95206	<u>88,936</u>
Reading First	84 357	--	<u>40,804</u>
Title III ELL/LEP	84 365	--	<u>98,206</u>
Total			\$ <u>9,912,193</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Great Prairie Area Education Agency and is presented on the modified accrual basis. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
Great Prairie Area Education Agency

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Great Prairie Area Education Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of Great Prairie Area Education Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Great Prairie Area Education Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Great Prairie Area Education Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Great Prairie Area Education Agency's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Great Prairie Area Education Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Great Prairie Area Education Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we have expressed our conclusions on the Agency's responses, we did not audit Great Prairie Area Education Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Great Prairie Area Education Agency and other parties to whom Great Prairie Area Education Agency may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Great Prairie Area Education Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C

Ottumwa, Iowa  
December 5, 2008

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of  
Great Prairie Area Education Agency

Compliance

We have audited the compliance of Great Prairie Area Education Agency with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Great Prairie Area Education Agency's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Great Prairie Area Education Agency's management. Our responsibility is to express an opinion on Great Prairie Area Education Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Great Prairie Area Education Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Great Prairie Area Education Agency's compliance with those requirements.

In our opinion, Great Prairie Area Education Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Great Prairie Area Education Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Great Prairie Area Education Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Agency's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in an Agency's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

Great Prairie Area Education Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we have expressed our conclusions on the Agency's responses, we did not audit Great Prairie Area Education Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Great Prairie Area Education Agency and other parties to whom Great Prairie Area Education Agency may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO P.C.

Ottumwa, Iowa  
December 5, 2008

GREAT PRAIRIE AREA EDUCATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results:

- a. Unqualified opinions were issued on the financial statements.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, none of which are considered to be material weaknesses.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- g. Major programs were as follows:
  - CFDA Number 84.027 - Special Education - Grants to States
  - CFDA Number 84.173 - Special Education - Preschool Grants
  - CFDA Number 84.181 - Special Education - Grants for Infants and Families with Disabilities
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000
- i. Great Prairie Area Education Agency qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Significant Deficiencies -

- 08-II-A Capital Asset Disposals – The Agency currently has no policy regarding when capital assets will be disposed of and who has the authority to do so.

Recommendation - The Agency should establish a policy and follow it.

Response – We will do so.

Conclusion – Response accepted

Instances of Non-compliance - No matters were noted.

- 08-II-B Payroll Disbursements – Agency employees are paid twice monthly, on the 10<sup>th</sup> and the 25<sup>th</sup>. Certain Agency employees are paid for days they have not yet worked. Payments for time not yet worked could lead to a loss by the Agency and is not good business practice.

Recommendation – The Agency should examine their policies in this area and consider changing this policy.

Response – The Board will look into this matter.

Conclusion – Response accepted.



GREAT PRAIRIE AREA EDUCATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs for Federal Awards:

Significant Deficiencies - No matters were noted.

Instances of Non-compliance - No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- 08-IV-A Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted
- 08-IV-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 08-IV-C Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted
- 08-IV-D Business Transactions - No business transactions between Great Prairie Area Education Agency and Agency officials or employees were noted.
- 08-IV-E Bond Coverage - Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 08-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 08-IV-G Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.
- 08-IV-H Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education